241 423 426 some 80 milliard lei, and obliged the Government to pass the law decreeing the conversion of agrarian debts, in order to save the peasantry from the predicament of being dispossessed of their land by their creditors. The large owners, however, were in as bad a plight and perhaps worse off, for when the legislation concerning the cancellation of agrarian debts was under discussion in the Chamber, the director of the *Argus* suggested that Ministers and deputies should be excluded from being among the beneficiaries of the proposed law, so that they should not be accused later of having passed such a revolutionary measure mainly for self-interested motives. His suggestion was not supported, a fact which would tend to prove that large owners were perhaps more insistent on the adoption of this measure than smallholders, to many of whom it has proved highly prejudicial.

That the agrarian revolution did not solely profit the peasantry, and that others took advantage of it to appropriate lands to which they had no right, and that the latter were more insistent on the voting of the law for the conversion of agrarian debts, is an undisputed fact. This is proved also by an interview published by the *Adeverul* on September 9th, 1930, in which Prof. Iorga was reported to have said: "When the expropriation of the large estates was carried out many mistakes and injustices were committed. Real cultivators were not endowed with land in order that in their place land should be bestowed on various political partisans, electoral agents, and others who had nothing in common with the land or agriculture. Having thus secured the land, they set about to increase their holdings by buying up with borrowed money adjoining tracks, and started exploiting them on American methods. But their calculations were erroneous, because with us agriculture is not profitable except for the owner who himself cultivates his land. This category of landowners should not be assimilated with the peasantry, and the State should not assume charge of their debts." This wise recommendation, however, was not followed, and large owners were permitted to a certain extent to take advantage of the law of conversion of agrarian debts.

241 426 453 That it was absolutely indispensable to extend some help to the peasantry no one will dispute, but this law of con-

version of agrarian debts will probably do more harm than good in the long run, not only because it has undermined confidence and ruined the banks, but also on account of the adverse effects it will have on agriculture itself, for it brings no relief to the peasant in the way of obtaining the credit facilities he needs, but on the contrary it renders borrowing now almost impossible. Prior to the promulgation of this law both banking institutions and private persons who had lent money to peasants were ready to help them, if by so doing they could recover part of their debts; there was a certain sense of solidarity between creditor and debtor; now, however, that the law has arbitrarily stepped in between them and settled their relations, practically ruining the creditors, the latter have no longer the means nor any interest to assist their debtors. Another disastrous outcome of the law is the loss of all the savings which the more industrious among the peasantry may have had, and which naturally were placed in the keeping of the rural banks now rendered insolvent. It is calculated that these sums amount to some 6 milliard lei. This law, therefore, instead of encouraging the more progressive peasants, has ruined them and reduced them to the level of the more indolent. Another drawback in this law is that it subjects all land, the owners of which take advantage of its clauses, to a certain legal servitude for 30 years, precluding the owners from mortgaging it and contracting loans, although the securing of fresh credit constitutes their most pressing need. It may be taken for granted that, in consequence of this law, the area sown will be considerably less in extent this year, owing to the impossibility for the peasants to obtain timely advances for cultivating their fields, and also to the discouragement of the most enterprising among them, who lost their capital through the failure of the banks.

This law, if not repealed, will be yet another obstacle to the creation of a rural mortgage bank, of which the country is in such dire need, for peasants taking advantage of the conversion law cannot mortgage their holdings. The necessary preliminary for the normal working of such an institution would be the creation of cadastral registration, which is non-existent in the country. If the Rumanian Government

241 426 453 really intended to revert to a régime of legality and to the granting of adequate security to foreign capital, there would be hardly any difficulties in its obtaining the necessary aid from abroad in order to permit the establishment of such an institution, and in order to save time it would be politic on its part if without further delay it took the requisite steps to prepare a cadastral register or ground-book. Such measures of self-aid would prove more efficacious than the solicitation at international conferences of preferential rates for Rumanian agricultural produce. For they would help to convince foreign investors that Rumania had at last decided to put her house in order, a decision which, if seriously taken, would probably cause foreign capital to come to her aid and bring to her corresponding or equal advantages to those she would derive from the obtaining of the preferential rates for which she is now craving as a favour from industrial States. There are no insuperable obstacles to the salving of Rumanian agriculture. All that is needed is cheap credit and the lowering of the cost of industrial products used by 241 the peasantry. These *desiderata* may be secured whenever 461 the Government decides to change its methods and adopt as its guiding principles honesty, retrenchment, and austerity. After all, the peasants have done more than their share, and no greater effort can be demanded of them. One who has witnessed the long heartbreak of endless and often unrequited labour that has been their lot, and the fortitude with which they have faced the apathy the State has so far shown towards them, can have no doubts as to the response a little encouragement would evoke from them. Without decent seed grain, and with the most primitive implements, it was but natural that the yield per hectare should decrease. Nevertheless, the steady although small increase of the area under cultivation is a convincing proof that the peasants have never stinted their labour and that they are determined to persist to the extreme limits of human endurance in their efforts to wrest a bare subsistence from the soil. The following table will be found to confirm fully what has been stated 241 above, namely, that while the area cultivated has been 433 maintained, the yield per hectare is on the whole diminishing:

figures show the livestock population during the pre-war period and for the years 1926 and 1930: 241 231

Livestock.	Pre-war figures for all regions forming part of present-day Rumania.	1926.	1930.
Horses and donkeys ...	2,678,000	1,890,000	1,818,560
Horned cattle ...	6,760,000	4,992,000	4,011,141
Sheep and goats ...	15,250,000	14,059,000	12,273,347
Pigs	4,634,000	3,168,000	2,322,971

BANKING

The meagre capital resources of Rumania proved inadequate to the task allotted to them after the war and the general dislocation it had caused. Banks were called upon to finance the reparation of the damage suffered in the territories of the old kingdom, to advance moneys to the rural population which had just been endowed with land, and to furnish capital for the execution of the policy of industrialization to which the country had committed itself. The banks were subjected to a heavy strain, but owing to the financial assistance they received from foreign banking firms this was somewhat relieved. Unfortunately, very often less circumspection than the situation called for was shown in the granting of credits, for in many cases other considerations than those obtaining in Western countries prevailed, and as a result several banking firms were put in jeopardy through immobilization of too great a share of their assets in industrial undertakings. 453

The report of the experts on the liquidation of the Bank Dacia, of Iassi, published in the *Argus* on June 17th, 1931, is sufficiently enlightening on the subject. This bank, the total capital of which was only 20 million lei, had invested 70 millions in industrial enterprises, and the managers were blamed for not having asked for the winding-up of the bank when they no longer disposed of even one-third of the capital, as was stipulated in the statutes.

According to official statistics, at the end of 1929 there were in existence 1,097 banks, with a paid-up capital of 11,180 million lei. The great majority, however, were very small concerns which hardly deserve the preten-

453 tious appellation of "bank," which they bestowed on themselves, for they are mere money-lending firms of very dubious standing. There are only about 12 firms that may be called banks, and these hold between them about one-quarter of the aggregate banking capital. The offices of all these firms is at Bucarest, except that of the Banca Comerţului, which is at Craiova. Besides these private banks there were 4,757 popular banks, with a capital of 7,248 million lei, in operation at the end of 1929. These banks operate mainly in rural districts and are of great help to the peasants, to whom they provide funds and also offer a method for the investment of their savings. They are run on co-operative lines and counted a membership of 1,003,082, the great majority being agriculturalists. The depositors at these banks numbered some 478,315, with a total amount on deposit of 1,417 million lei, while the paid-up capital was 1,801 millions.

426 The recent law decreeing the conversion of agrarian debts
453 will completely paralyze the activities of all banks in Rumania, and will work inestimable harm to the peasantry, as credit will be entirely disorganized. The passing of the law caused consternation, and most banks decided to go into liquidation. According to the reports published in the Press of a meeting held at Cluj on May 8th, 1932, at which were present delegates from all the Rumanian banks of Transylvania, it was considered that this was the only course left open to them. It was stated that these banks had a capital of 1,200 millions and deposits amounting to 3,000 millions, so that the law of conversion extinguished at one stroke all the capital of the banks and immobilized for 30 years half of the deposits they had received. The representative of the banks of Cluj stated that "such a stunning blow has not been experienced since the Rumanian banks of Transylvania were founded some sixty years ago. Many cherish the illusion that it is yet possible for the banks to survive. My opinion is that no banking institution in Transylvania will henceforth be able to function. Within three months we shall see the disastrous effects of the law; there is nothing left but to liquidate." The extent to which the banks will be affected can be realized if it be noted that the estimated

amount owed by agriculturalists is some 80 milliard lei. So that even if only half of them availed themselves of the law, this would mean an immediate wiping out of about 20 milliards of capital and the immobilization of another 20 milliards for a period of 30 years. On this half of their debt agriculturists will be paying 4 per cent interest, while the banks which have borrowed the sums they had advanced to the peasants are paying 7 to 10 per cent interest. When it is considered that the total capital and reserves of private banks in Rumania hardly reaches 15 milliards, one can realize what a staggering blow this law will be to the economic life of the country. It is true that over four milliards worth of bills belonging to agriculturalists have been rediscounted by the National Bank of Rumania, and that the State has undertaken to indemnify this bank for the loss it will sustain on this head, yet the balance of the loss caused by this astounding law is so formidable that one wonders how the private banks are to survive the blow. One may also question the capacity of the State to find adequate means wherewith to indemnify the National Bank for its losses, seeing that its own plight is so hopeless that its own officials have been left unpaid for months.

It may be apposite to record the opinion of the members of the legal profession in Transylvania and the Banat concerning this law, which is likely to ruin all the banks in the country. Members of this profession met at Cluj on June 5th, 1932, and passed a resolution in which it was affirmed: "That this law, which permits the confiscation of property and annuls acquired rights, is unconstitutional. That it is contrary to the established principles of thousands of years and overthrows the legal order on which the present social order is established. That in consequence this meeting moves that this law should be abrogated and replaced by another, which, while solving the problem of agrarian debts, should be in conformity with the constitution and with the established principles of justice. . . ."

Even before the passage of the law of conversion of agrarian debts most of the banks were in a precarious condition, owing to the fact that they had sunk a large fraction of their assets in industrial undertakings which, at the

453 best, were hazardous ventures. Runs on the banks were frequent, even State institutions such as the Agricultural Bank saw its deposits shrink from 42 millions in December, 1930 to 17 millions in March, 1931. During 1931 one of the leading Rumanian banks, the old-established firm of Marmorosch Blank and Co., was obliged to suspend payments, and this failure increased the prevailing scepticism which the public had so far entertained as to the solvability of the banks. The following table, showing the respective prices of leading bank stocks, is indicative of the continued depression under which these institutions are labouring and of the absence of any hopefulness at the present time :

FIGURES ARE GIVEN IN LEI.

Bank.	Average annual quotation, 1929.	Average annual quotation, 1930.	Price in June, 1931.	Price in June, 1932.
National Bank	12,782	6,788	4,900	3,525
Marmorosch Blank & Co. ...	1,207	854	710	——
Banca Romaneasca ...	950	676	500	185
Banca Generala Tarii Romanesti	708	360	90	50
Banca de Scont	308	217	90	30
Banca Comertului (Craiova)	889	633	300	90
Banca Comerciala Italiana si Romana	848	706	675	450
Banca de Credit Roman ...	1,058	665	500	175
Banca Agricola	194	100	70	20
Banca Commerciala Romana	1,162	782	500	250

INDUSTRY

433 To the policy of industrialization, adopted not only by Rumania but also by other neighbouring States, may be ascribed a large share of the crisis that Europe is now traversing. For the creation of parasitic as well as redundant industries, which can only exist under the protection of high tariffs, has had as a result the shrinkage of the markets in which Western European industrial products were sold. This in its turn brought about a diminution of the buying power of these latter nations, who so far had constituted the sole customers for the agricultural produce of the Near East.

Another result of the creation of these industries was the burdening of the populations of Near Eastern Europe with

231 For the majority of Rumania's peasants the most
433 valuable of all animals are his sheep, of which Greater Rumania possessed about 12,000,000. Both the wool and the meat of Rumanian sheep are, however, of a lower quality than those of Great Britain or New Zealand. Sheep's milk, and the cheese made from it, supplement the monotonous diet of the peasant.

[439] Of the 3,000,000 pigs in Greater Rumania most were kept in the New Territories and a large proportion of the country's pork production was exported. Apart from the Rumanian Mangalita, English Berkshires were bred in great numbers.

241 Considered as a whole the agriculture of Greater Rumania, favoured by good climatic conditions and great soil fertility, remained undeveloped owing to the general economic conditions. The peasantry did not possess the necessary implements, buildings or animals which could have secured profitable ex-
[452] ploitation of the soil. Financial help was difficult to obtain, and the loans that were granted were ruinous to the peasant, owing to the high rate of interest.
[453] Co-operatives were few. Some agricultural banks and associations confined to the German colonists in the Banat and in Transylvania were the only ones
[435] which succeeded. Agricultural prices were low and the peasant was often forced to sell his produce before the harvest to export trusts which dominated
[454] the market. The only assistance given by the government consisted in loans and seeds at reduced prices for the growing of certain crops, such as soya beans, for export in order to fulfil international trade
[439] agreements. During the last fifteen years Germany secured an ever greater influence upon Rumania's agriculture and took most of its exports.

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June, 1940	137.1.
January, 1941	149.5.
June, 1941	160.9.
January, 1942	290.6.
June, 1942	306.9.
January, 1943	377.6.
March, 1943	403.9.

The less marked rise in 1942 was due principally to the fact that for the first 6 months of the year prices were almost stationary; in the autumn, however, indirect taxes were increased and prices once again rose steeply.

These percentages represent only increases in official prices; the cost of living is in fact considerably higher owing to the prevalence of the Black Market, where prices are very much in excess of the official limits.

The first attempts at price control were made almost immediately after the outbreak of war. In September 1939 an anti-profiteering law was passed, and in November of the same year an anti-speculation law followed, which fixed the maximum prices of all articles in general use and limited wholesalers' profits to 10 per cent and retailers' to 12 per cent.

The regulations were further tightened up by the price control laws of March, 1941, and the sabotage law of October, 1940.

Control, however, remained largely ineffective, and in October 1941 a stabilisation law was passed. This law, which borrowed much from the existing German laws, laid down a general price stop. Maximum prices and wages were fixed at the level prevailing on 1st September, 1941, and alterations could be made only with the permission of the Minister of Economics.

In addition the State set up goods distribution centres which, among other functions, supervised producers' prices, profit margins and consumers' prices.

Since August 1942 the supervision of prices has been in the hands of a General Commissariat for Price Control, and the local offices subordinate to it. It is evident that corruption among price-control officials was by no means a negligible factor in the very unsatisfactory development of the control system in general. In the autumn of 1942 it was announced that all existing price controllers were to be dismissed and replaced by members of the teaching, legal and literary professions.

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B. BANKING

1. State and State-Controlled Banks

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The National Bank of Rumania was set up in 1880 with a capital of 30 million lei, of which one-third was in the hands of the State. By 1929 this had been raised to 600 million lei. Under the present statute the State may not hold more than ten per cent of the capital; the remaining ninety per cent must be held by private shareholders. This bank has the sole right of note issue for the country.

From the end of 1930 to the end of 1938 the note circulation rose from 19·6 milliard lei to 34·9 milliard lei. In the next four years, however, the increase was very much greater as the following table shows:—

	Milliard lei
1939—January	34·1
June	38·7
1940—January	48·4
June	54·2
1941—January	65·7
June	77·1
1942—January	95·6
June	98·7
1943—January	117·0

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652 453 This was largely due to the advances of the National Bank both to exporters with claims on the Rumanian-German clearing, and for the maintenance of German troops stationed in the country (see below).

Among the fairly numerous other State or State-controlled banks, two of the most important are the Central Savings Bank and the National Institute for Industrial Credit. This latter was founded in 1923, but its size and scope have been greatly extended since the outbreak of war, and it is now entrusted with the so-called "Rumanisation" of industry.

2. Commercial Banks

453 There are six important commercial banks in Rumania—viz., Banca Românească, Banca de Credit Român, Banca Commercială Română, Societatea Bancara Română, Banca Commerciala Italiana şi Română, Banca Chrissoveloni—and a fairly large number of other smaller banks. In the big banks there were considerable French, German, Italian and, to a lesser extent, British interests.

The position of the banks was very seriously affected by the collapse of the Österreichische Creditanstalt in 1931.

Between 1930 and 1934 current account deposits in commercial banks fell from 18·2 milliard lei to 7·9 milliard lei and time deposits from 35·1 milliard lei to 10·4 milliard lei, representing a 64 per cent. fall in total deposits. In subsequent years there was a recovery and now inflation contributes a large share to the further increase in deposits. Deposits in commercial banks with a capital of more than 60 milliard lei rose from 10·6 milliard lei at the end of 1934 to 28·8 milliard lei in August, 1942.

In May 1934 a law was passed affecting domestic and foreign banks operating in the country. According to this law a Supreme Banking Council was set up to supervise all banks; minimum capital was fixed according to the locality in which the bank operated; rates of interest were fixed and conditions of liquidity laid down. This law is still in operation, but certain of its provisions have been relaxed since the outbreak of war—the first time in February 1942, and a second time early in 1943. The alterations principally concerned the proportions of deposits to capital—in each case the maximum limit for deposits being increased.

As a result of the activities of the Supreme Banking Council a large number of small banks has ceased to operate and the banking system in general has been put on a much sounder footing.

3. German Infiltration and Financial Exploitation

453 Apart from penetration into other branches of industry, there has been a considerable amount of 648 buying up of shares by Germans in Rumanian banks and insurance companies. Already before the war the Societatea Bancara Romana was controlled by the Dresdner Bank, while the Commerzbank and the Deutsche Bank had a minority holding in the Banca Commercială Română. This latter holding was increased in 1941 to 60 per cent., and in the same year the *Reichskreditgesellschaft* acquired a minority holding in the Banca de Credit Român, and the Berliner Handelgesellschaft in the Banca Chrissoveloni. In 1942 the Bank der Deutschen Arbeit acquired a holding in the Bukarester Handelsbank. Thus, since the Banca Commerciala Italiana şi Romana is a subsidiary of the Banca Commerciala Milan, five out of the six important banks are to a greater or lesser extent Axis-controlled. In addition there are

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certain fairly important *Volksdeutsche* saving banks operating in Rumania.

In the case of insurance, too, German companies had considerable interests in Rumanian companies even before the war. These interests have been greatly increased, the most important acquisitions being a majority holding in the Dorna Vatra company acquired by Jauch und Hübener in 1941, a similar holding in the "Franco-Romana" taken over from French hands by the Nordstern Versicherungs A.G. in the same year, and a holding taken over from French hands by a Viennese company in the "Nationala" General Insurance Company—also in 1941.

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Though the great increases in budgetary expenditure since 1939 can be attributed indirectly to Germany, the chief instruments of German financial exploitation have taken the form of advances from the Rumanian National Bank for the maintenance of German troops in the country, and for the clearing (i.e. forcing the Rumanian National Bank to make advances to Rumanian exporters whose exports were not balanced by corresponding imports from Germany).

4. Advances for Maintenance of German Troops

It was originally agreed that 1 milliard lei per month should be advanced—against an equivalent RM. credit in Berlin—to the German troops in Rumania. In fact, however, the Germans drew sums in excess of this amount, and continued to do so even after the majority of troops had left the country.

In October 1941, therefore, the National Bank refused to grant any further advances of lei for the use of the German troops. The Germans, however, brought pressure to bear by refusing to honour Rumanian invoices for goods they had received, and by borrowing from the banks through the medium of the firms which they controlled. The situation appears to have remained unchanged until January 1942, when it seems that a new agreement was reached, the National Bank once again undertaking to advance a fixed monthly sum, and in addition to make up arrears in payment. It is reported that towards the end of 1942 the National Bank had advanced some 40 milliard lei on this account.

5. The German-Rumanian Clearing

In addition to this German debt there is a further one of probably at least equal magnitude which has accrued in the clearing.

Precise figures of the actual German clearing debt to Rumania are not available and estimates vary very greatly. The amount of the debt at the end of 1942 has been variously reported at anything between 30 milliard and 100 milliard lei.

It is, therefore, reasonable to assume a minimum clearing debt at the end of 1942 of 30 milliard lei, and a minimum total debt (clearing and advances in the National Bank to the German military authorities) of 70 milliard lei—or approximately £117,000,000.

It is, however, quite possible that there is some justification for the German claim to the effect that clearing and similar debts are not wholy indicative of German commercial practices, inasmuch as certain German exports are made against long-term credits which do not enter into the clearing until several years have elapsed. In the case of Rumania, Germany is known to have granted in recent years two credits of RM. 600 million each (36 milliard lei), but it is not known to what extent actual production for the German export market made it possible for Rumanian importers to utilise these facilities.